MOQ LIMITED (FORMERLY MONTECH HOLDINGS LIMITED)
AND ITS CONTROLLED ENTITIES
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

ABN: 94 050 240 330

INDEX

CORPORATE DIRECTORY

Board of Directors

Mr David Shein	Non Executive Chairman
Ms Nicola Page	Executive Director and Chief Executive Officer
Mr Joe D'Addio	Executive Director and Chief Operating Officer
Mr Scott McPherson	Executive Director
Mr Joseph Fridman	Non Executive Director
Mr Jonathan Pager	Non Executive Director
Mr Michael Pollak	Non Executive Director
Mr Don Francis Nanayakkara	Executive Director (appointed 20 May 2016)

Company Secretary
Brad Cohen

Auditors
Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005

Solicitors
Thomson Geer
Level 25, 1 O'Connell Street
Sydney NSW 2000

Bankers
Westpac Banking Corporation
94 Church Street
Middle Brighton VIC 3186

St George Bank
Locked Bag 1
Kogarah NSW 1485

Registered Office
5a, 2 New McLean Street
Edgecliff NSW 2027

Share Registry
Link Market Services Limited
Level 4 Central Park 152 St Georges Terrace
PERTH WA 6000
Investor Enquiries: 1300 554 474
Facsimile: +61 2 9287 0303

Stock Exchange Listing
Securities of MOQ Limited are listed on the Australian Securities Exchange (ASX).
ASX Code: MOQ

Website
www.MOQ.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the **"Group"**) consisting of MOQ Limited (formerly Montech Holdings Limited) (**"Company"**) and its controlled entities for the financial year ended 30 June 2016. The information in the proceeding operating and financial review forms part of this directors' report for the financial year ended 30 June 2016 and is to be read in conjunction with the following information.

General Information

Officers and Directors

The names and particulars of the Directors during or since the end of the financial year are:

Name	Particulars
Mr David Shein	Non Executive Chairman
Ms Nicola Page	Executive Director and Chief Executive Officer
Mr Joe D'Addio	Executive Director and Chief Operating Officer
Mr Scott McPherson	Executive Director
Mr Joseph Fridman	Non Executive Director
Mr Jonathan Pager	Non Executive Director
Mr Michael Pollak	Non Executive Director
Mr Don Francis Nanayakkara(1)	Executive Director

(1) Don Nanayakkara was appointed to the Board on 20 May 2016.

The above named Directors held office during and since the financial year, except as otherwise indicated.

Particulars of each director's experience and qualifications are set out later in this report.

Meetings of Directors

During the financial year, 15 meetings of directors (including committees of directors) were held:

Director	Board Member Since	Eligible	Attended
Mr David Shein	17 February 2014	12	12
Ms Nicola Page	29 May 2015	12	11
Mr Joe D'Addio	29 May 2015	15	13
Mr Scott McPherson	29 May 2015	12	12
Mr Joseph Fridman	17 February 2014	12	9
Mr Jonathan Pager	17 February 2014	15	15
Mr Michael Pollak	17 February 2014	15	14
Mr Don Francis Nanayakkara	20 May 2016	1	1

Information Relating to Directors and Company Secretaries

David Shein

David established Com Tech Communications with $10,000 capital, and built it up to annual revenues of $700m, profits of $40m and 1,400 employees in 2001 when it was acquired by Dimension Data. During his tenure, Com Tech was voted the second best company to work for in Australia and the bulk of the management team recruited by David remains in place at the company. Over the past 15 years, David has been involved in investing in and managing a number of start-up and early stage technology companies, many of which have been successfully exited including Macromatix, a provider of specialist cloud based retail software solutions with offices in Australia and US. Macromatix was sold to US based TPG Ventures in 2012. David actively mentors management teams including his role as Non-Executive Chairman of Centric Wealth which was owned by CHAMP Private Equity and recently successfully sold to Findex.

DIRECTORS' REPORT (CONT.)

Some of the other companies that David mentors and where he has an investment include Pocketbook (sold to Zip-Money), CalReply, Clipp (sold to Mobile Embrace), Assetic, OneBigSwitch, ZipMoney (listed on ASX), RangeMe, Admyt, Latam Auto (listed on ASX), Simpology and OurCrowd. David is involved in building companies that are genuinely committed to customer and staff satisfaction.

Interests in shares and options:	4,083,335 fully paid ordinary shares
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	None

Michael Pollak (Non-Executive Director)

Michael holds a bachelor of Commerce is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael is currently a director of ASX-listed HJB Corporation Limited (ASX:HJB) and UCW Limited (ASX:UCW), and was previously a director of Rhipe Limited (ASX:RHP), Disruptive Investment Group Limited (ASX:DVI), Prospect Resources Limited (ASX:PSC) and Metalicity Limited (ASX:MCT), being companies he recapitalised. In addition to these, Michael has been involved in the restructuring, recapitalisation and relisting of a number of other ASX listed entities.

Interests in shares and options:	1,980,000 fully paid ordinary shares; and 900,000 unlisted options exercisable at $0.10 per option on or before 30 June 2017.
Other current directorships:	HJB Corporation Limited (Non-Executive Director) UCW Limited (Non-Executive Director)
Former Directorships in last three years:	Disruptive Investment Group Limited (Non-executive director) rhipe Limited (Non-Executive Director) Metalicity Limited (Non-Executive Director) Prospect Resources Limited (Non-executive director)
Special responsibilities:	Chair of Audit and Risk Committee

Joseph Fridman (Non-Executive Director)

Joseph is the co-founder and Chief Executive Officer of Monash Private Capital Pty Limited, a Sydney based independent principal investment and advisory firm. Prior to establishing Monash Private Capital, Joey was Chief Financial Officer of Investec Bank Australia and Chairman of the bank's Investment Committee. With a career spanning audit, investment banking and executive financial management, Joey brings a comprehensive mix of financial, strategic, operational, risk management and commercial skills and experience. Joey is a Chartered Accountant and has an M.B.A. from the Australian Graduate School of Management.

Interests in shares and options:	18,328,334 fully paid ordinary shares
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	None

Jonathan Pager (Non-Executive Director)

Jonathan has over 20 years' experience as an adviser across a wide range of industries in Australia and overseas and is currently Managing Director of Pager Partners Business Consultants and Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Jonathan has recapitalised and built several ASX-listed companies across both the resources and industrial sectors.

DIRECTORS' REPORT (CONT.)

He is currently a director of UCW Limited (ASX:UCW) and Noble Mineral Resources Limited (ASX:NMG), and was more recently a director of AHAlife Holdings Limited (ASX:AHL), Rhipe Limited (ASX:RHP), Metalicity Limited (ASX:MCT) and Prospect Resources Limited (ASX:PSC).

Interests in shares and options:	745,000 fully paid ordinary shares; and 250,000 unlisted options exercisable at $0.10 per option on or before 30 June 2017
Other current directorships:	Noble Mineral Resources Limited (Finance director) UCW Limited (Non-executive director)
Former Directorships in last three years:	Ahalife Holdings Limited (Finance director) rhipe Limited (Non-executive director) Metalicity Limited (Non-executive director) Prospect Resources Limited (Non-executive director)
Special responsibilities:	Member of Audit and Risk Committee

Nicola (Nicki) Page

Nicki has over 20 years in the IT industry in both the UK and Australia originally as a Computer Scientist. She was appointed as a Director and Chief Executive Officer of Breeze in 2012, having joined Breeze in 2009 to pivot and transform the business with a thriving people culture before successfully exiting to join MOQ. With a background in Technical and Sales with companies such as KAZ Computing and Microsoft, Nicki spearheads efforts to drive innovation, develop new sales and marketing strategies and bringing teams of people together to exceed their best. Nicki was recognised in the industry as the 2014 ARN Women in ICT Entrepreneur of the year.

Interests in shares and options:	14,166,670 fully paid ordinary shares[(1)]
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	Chief Executive Officer

(1) Interest in shares include shares jointly held with spouse (Mick Badran).

Joe D'Addio

Joe was a co-founder and Director of Tech Effect. Joe has over 35 years' experience in the IT industry, with a particular focus on areas of professional services, system and network engineering and technology consulting. Over the last 20 years, he has held a number of key management and director positions, building and leading businesses in the IT industry, specifically with Com Tech Communications and Dimension Data.

Interests in shares and options:	17,655,978 fully paid ordinary shares
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	Chief Operating Officer, Member of Audit and Risk Committee

Scott McPherson

Scott was a co-founder and Director of Tech Effect. Since forming the company in 2005, Tech Effect grew from providing Infrastructure related Integration Services, to offering Consulting and Managed Services to assist their clients to overcome both business and technical ICT related challenges.

Scott's position draws upon more than two decades of industry experience where he has worked for iconic market leaders Com Tech Communications and Dimension Data. During this time, Scott has honed his engineering, management and people skills to create a customer-centric organisation that develops solutions that solve real business problems. These traits contributed to building Tech Effect into the successful, highly respected organisation.

DIRECTORS' REPORT (CONT.)

As the business grow, Scott's responsibilities evolved to focus on managing the Integration Services Practice, along with setting the vision and go to market strategy for the 'Cloud World'. Scott's technology career started at Queensland University of Technology where he studied for his Bachelor of Business degree in Information Management.

Interests in shares and options:	17,655,978 fully paid ordinary shares
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	Executive Director

Don Francis Nanayakkara

Appointed 20 May 2016

Mr Don Francis Nanayakkara is a co-founder, Director and Chief Executive Officer of TETRAN. Don has over 20 years' experience in the IT industry, with a particular focus on managed services. Don brings a mix of operational innovation and strategic insight and has held a number of management positions, building and leading businesses. Don played a key role in developing TETRAN into a customer-centric organisation and expanding TETRAN overseas, including setting up the Sri Lanka Centre of Excellence. Don holds three Bachelor degrees from The University of New South Wales in Aerospace Engineering, Computer Science and Mathematics.

Interests in shares and options:	5,696,262 fully paid ordinary shares
Other current directorships:	None
Former Directorships in last three years:	None
Special responsibilities:	Executive Director

Brad Cohen (Company Secretary)

Appointed 7 August 2015

Brad also acts as the Corporate Development Manager for MOQ Limited.

Prior to joining MOQ Limited, Brad worked at OurCrowd LLC where he was an investment professional focusing on Venture Capital investments. Previously, Brad worked in commercial transaction roles and began his career as a management consultant at KPMG.

Brad is a qualified Chartered Accountant and holds a Bachelor of Commerce-Accounting and a Bachelor of Laws from Macquarie University, Sydney.

DIRECTORS' REPORT (CONT.)

Principal Activities

The Group principal activities were the provision of group ownership, strategy and oversight over a number of software and service enterprises.

Operating and Financial Review

In accordance with MOQ's stated commitment to invest strategically on building out its business model, and capitalise on the emerging market for services and solutions in the Cloud centric ICT market over the next 3 to 5 years, FY16 has been a year where medium and long term investments have been a priority for the MOQ Board and Executive team.

These investments have included:

1. The merger and integration of Technology Effect and Breeze, rebranded and launched as MOQdigital.
2. The acquisition of TETRAN to bolster Managed Services capability and recurring revenue moving forward.
3. The acquisition of Skoolbag to grow the commercialised IP base of the business.
4. Strategic hires to build out capability and capacity in Sales, Delivery and M&A, particularly in the NSW region and also the emerging Business Intelligence and Data Analytics market.

In real terms, operating performance for the year was impacted by circa $1,359,000 of non-recurring costs in MOQ. This consisted of $400,000 of due diligence and acquisition costs, $164,000 of integration costs, $280,000 in one-off project write-downs, $306,000 in restructuring costs, and a $209,000 non-cash adjustment to long service leave provisions through adoption of a more conservative accounting methodology.

During the June quarter MOQ completed the acquisitions of TETRAN and Skoolbag and successfully completed a capital raising of $9 million, in order to fund these acquisitions. The results presented incorporate Skoolbag and TETRAN results since 12th April 2016 and 23rd May 2016 respectively.

The positive impact of early FY16 investments commenced translating into earnings momentum in Q4FY16. Importantly, pipeline leading into Q1FY17 is very strong and positive cashflow is forecast for Q1 of FY17. Leverage from the mergers, in the form of potential new business, sourced from the enhanced offering MOQ is able to take to its clients, is clearly evident in the FY17 pipeline.

Our Business Model and Objectives

The Company's strategy is to develop, build and acquire complementary Cloud focussed technology businesses. The Directors of the Company have extensive experience and a proven track record in acquiring and building businesses, and providing strategic direction, in order to generate long term sustainable returns for shareholders. The Company is actively pursuing suitable growth opportunities by either organic investment or through synergistic acquisitions in the technology sector.

The MOQdigital strategy and objectives include:

- Investment in the organic growth of MOQdigital and a build out of capability in the New South Wales and Queensland markets;
- Continued and increased focus on the growth of Managed Services and a range of recurring revenue streams;
- Market differentiation through continued investment and development of in-house products, tools and applications; and
- Growth via strategic acquisitions.

DIRECTORS' REPORT (CONT.)

Significant Changes in State of Affairs

There are no other significant changes in the state of affairs of the group, other than the acquisitions of TETRAN and Skoolbag as detailed in note 32.

Dividends Paid or Recommended

In respect of the current year, no dividends have been declared or paid and none are recommended (2015: $nil).

Significant Events after the Reporting Period

On 1 September 2016, an Employee Option Plan was introduced, which provided certain key management and employees with 3,690,901 unlisted and unvested options. These options have been issued in two separate tranches. Tranche 1 consists of 1,845,456 options, exercisable at $0.275 each, and vests after 24 months' continuous service from date of issue. Tranche 2 consists of 1,845,445 options, exercisable at $0.275 each, and vests after 36 months' continuous service from date of issue. Both tranches expire on 1 September 2020.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental Issues

There are no applicable environmental regulations that would have an effect on the Company.

Indemnifying Officers or Auditor

During the year, the Company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Proceeding on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT (CONT.)

Auditor

Stantons International Audit and Consulting Pty Limited are the appointed auditors of the Company. The auditor has not been indemnified under any circumstance.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to a company associated with Stantons International for non-audit services provided to the Company during the year ended 30 June 2016:

	2016 $	2015 $
Completion Accounts Audit	10,000	-
Investigating Accountants Report	-	12,485
Total	**10,000**	**12,485**

The board of directors considers that there was no independence issue in the provision of these services.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 can be found on page 57 of the financial report.

Options

At the date of this report, the unissued ordinary shares of MOQ Limited under option are as follows:

Grant Date	Balance at the date of this report	Exercise price	Expiry
16/07/2014	2,500,000	$0.10	30/06/2017
21/11/2012	-	$7.00	12/02/2016
21/11/2012	16,667	$7.00	12/02/2017
21/11/2012	16,667	$7.00	12/02/2018
01/09/2016(1)	3,690,901	$0.275	01/09/2020
TOTAL	**6,224,235**		

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity. For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2016, the following ordinary shares of MOQ Limited were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

- 3 July 2015: 833,333 options with exercise price $0.01
- 16 September 2015: 2,499,999 options with exercise price of $0.01

DIRECTORS' REPORT (CONT.)

In addition, on 1 September 2016, an Employee Option Plan was introduced, which provided certain key management and employees with 3,690,901 unlisted and unvested options. These options have an exercise price of $0.275 each, vest upon employee period of service milestones and expire on 1 September 2020.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of MOQ Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering performance incentives based on key performance areas affecting the consolidated group's financial results. The Board of MOQ Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is to have the remuneration policy developed by the Board after professional advice is sought where appropriate from independent external consultants. No external advice was sought for the current financial year.

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- The Board reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and the Group with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means. An incentive option plan for KMP was outlined on 24 April 2016.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options.

KMP receive at a minimum, a superannuation guarantee contribution required by the government, which for the year ending 30 June 2016 was 9.50% (2015 : 9.5%) of the individual's average weekly ordinary time earnings. KMP do not receive any retirement benefits. All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Currently, the maximum aggregate remuneration of non-executive directors is $500,000.

Performance-based Remuneration:

The KPIs are set annually, in consultation with KMP. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year. In determining whether or not a KPI has been achieved, the Board bases the assessment on the Company's performance using audited figures.

REMUNERATION REPORT (AUDITED) (CONT.)

Remuneration Expense Details:

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group:

Personnel	Year	Short-term benefits		Other payments	Post-employment benefits	Share based payments	Total	Performance based percentage of remuneration
		Salary & fees	Cash Bonus		Superannuation			
Executive Directors								
Ms Nicola Page	2016	200,000	-	-	19,000	-	219,000	-
	2015	16,667	-	-	1,565	-	18,232	-
Mr Joe D'Addio	2016	200,000	-	-	19,000	-	219,000	-
	2015	16,667	-	-	1,565		18,232	-
Mr Scott McPherson	2016	200,000	-	-	19,000	-	219,000	-
	2015	16,667	-	-	1,565		18,232	-
Mr Don Nanayakkarra[1]	2016	9,518	-	-	904	-	10,422	-
Non-executive Directors								
Mr David Shein	2016	54,795	-	-	5,205	-	60,000	-
	2015	27,397	-	37,508	6,166	-	71,071	-
Mr Joseph Fridman	2016	60,000		-	-	-	60,000	-
	2015	32,500	-	38,571	-	-	71,071	-
Mr Jonathan Pager	2016	60,000	-	-	-	-	60,000	-
	2015	32,500	25,000	38,571	-	-	96,071	-
Mr Michael Pollak	2016	54,795	-	-	5,205	-	60,000	-
	2015	27,397	22,831	37,508	8,335	-	96,071	-
Key Management								
Mr Matthew Goggin (Director Sales)	2016	200,000	-	-	19,000	-	219,000	-
	2015	16,667	9,000	-	1,565	-	27,232	33%
Mr Mick Badran (CTO)	2016	200,000	-	-	19,000	-	219,000	-
	2015	16,667	-	-	1,565	-	18,232	-
Mr Chad Lurie (GM Services) [1]	2016	9,589	-	-	911	-	10,500	-
Mr (Danny) Wan Yee Loh (GM Finance) [2]	2016	109,154	-	-	10,370	-	119,524	-
2016 Total		**1,357,851**	**-**	**-**	**117,595**	**-**	**1,475,446**	**-**
2015 Total		**203,129**	**56,831**	**152,158**	**22,326**	**-**	**434,444**	**-**

[1] Employment at MOQ Ltd commenced from the date of appointment 20 May 2016 as TETRAN acquired by MOQ Ltd on 20 May 2016.
[2] Employment at MOQ Ltd commenced from the date of appointment 16 November 2015.

REMUNERATION REPORT (AUDITED) (CONT.)

Service agreements (audited):

The directors serve until they resign, are removed, cease to be a director or are prohibited from being a director under the provisions of the Corporations Act 2001, or are not re-elected to office.

The directors entered into service agreements on the following terms:

- Mr Shein, Mr Fridman, Mr Pager and Mr Pollak - Base salary (including director's fees) of $60,000 per annum (including superannuation or similar contributions).
- Ms Page, Mr D'Addio and Mr McPherson - Base salary (including director's fees) of $200,000 per annum (plus superannuation or similar contributions).
    - Annual incentive payment of up to $81,217 each based on pre-determined key metrics.
    - The Company may also, in its absolute discretion, provide a bonus, the value of which, the conditions attached to and the frequency of such a bonus, remain matters over which the Company exercises sole discretion.
    - If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the Director with 3 months' written notice or make a payment of 3 months' salary in lieu of the notice period.
    - The Director may terminate the agreement at his or her sole discretion and at any time, and in doing so is entitled to payment of a fee equivalent to 3 months of their base fees.
    - After the termination of their employment with the Company and MOQdigital, the Director will be subject to a contractual restraint which may apply for up to 3 years after 29 May 2015 or 6 months after the termination (whichever is greater), and cover up to all of Australia.
- Mr Nanayakkara – Base salary (including director's fees) of 167,352 per annum, increasing to $200,000 per annum (plus superannuation or similar contributions) on 1 July 2016.
    - Annual incentive payment of up to $81,217 based on pre-determined key metrics.
    - The Company may also, in its absolute discretion, provide a bonus, the value of which, the conditions attached to and the frequency of such a bonus, remain matters over which the Company exercises sole discretion.
    - If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement) within 12 months of commencement, the Company will provide the Director with 6 months' written notice, and thereafter with 2 months' written notice.

Key Management Personnel entered into service agreements on the following terms:

- Mr Badran and Mr Goggin - Base salary of $200,000 per annum (plus superannuation or similar contributions).
- Mr Loh -Base salary of $180,000 per annum (plus superannuation or similar contributions).
    - The Company may also, in its absolute discretion, provide a bonus, the value of which, the conditions attached to and the frequency of such a bonus, remain matters over which the Company exercises sole discretion.
    - If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the KMP with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the KMP with 3 months' written notice or make a payment of 3 months' salary in lieu of the notice period.
    - The KMP may terminate the agreement at his or her sole discretion and at any time, and in doing so is entitled to payment of a fee equivalent to 3 months of their base fees.

- After the termination of their employment with the Company and MOQdigital, the KMP will be subject to a contractual restraint which may apply for up to 3 years after 29 May 2015 or 6 months after the termination (whichever is greater), and cover up to all of Australia.

- Mr Lurie – Base salary of $136,986 per annum, increasing to $200,000 per annum (plus superannuation or similar contributions) on 1 July 2016.
  - The Company may also, in its absolute discretion, provide a bonus, the value of which, the conditions attached to and the frequency of such a bonus, remain matters over which the Company exercises sole discretion.
  - If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement) within 12 months of commencement, the Company will provide the Director with 6 months' written notice, and thereafter with 2 months' written notice.

Shareholding and option holding of directors and other key management personnel (audited)

Options held by Directors and Key Management Personnel

The number of options in the Company during the 2016 reporting period held by each of the Group's Directors and Key Management Personnel, including their related parties, is set out below:

Personnel	Year ended 30 June 2016				
	Balance at the start of the year	Options acquired	Received as part of remuneration	Options exercised / disposed[(1)]	Held at the end of the year
Ms Nicola Page	-	-	-	-	-
Mr Joe D'Addio	-	-	-	-	-
Mr Scott McPherson	-	-	-	-	-
Mr Don Francis Nanayakkara	-	-	-	-	-
Mr David Shein	-	-	-	-	-
Mr Joseph Fridman	-	-	-	-	-
Mr Jonathan Pager	2,500,000	-	-	(2,250,000)	250,000
Mr Michael Pollak	9,000,000	-	-	(8,100,000)	900,000
Mr Matthew Goggin	-	-	-	-	-
Mr Mick Badran	-	-	-	-	-
Mr Chad Lurie	-	-	-	-	-
Mr Danny Loh	-	-	-	-	-

(1)A 10:1 Consolidation of shares occurred on the 31 May 2016.

Personnel	Year ended 30 June 2015				
	Balance at the start of the year	Options acquired	Received as part of remuneration	Options exercised / disposed	Held at the end of the year
Ms Nicola Page	-	-	-	-	-
Mr Joe D'Addio	-	-	-	-	-
Mr Scott McPherson	-	-	-	-	-
Mr David Shein	-	8,333,334	-	(8,333,334)	-
Mr Joseph Fridman	-	38,333,334	-	(38,333,334)	-
Mr Jonathan Pager	-	2,500,000	-	-	2,500,000
Mr Michael Pollak	-	9,000,000	-	-	9,000,000
Mr Matthew Goggin	-	-	-	-	-
Mr Mick Badran	-	-	-	-	-

REMUNERATION REPORT (AUDITED) (CONT.)

Shares held by Directors and Key Management Personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Personnel	Year ended 30 June 2016					
	Balance at the start of the year	Received as part of remuneration	Acquired	Other changes[1]	Disposal	Held at the end of reporting period
Ms Nicola Page	70,833,334	-	-	(63,749,999)	-	7,083,335
Mr Joe D'Addio	176,559,780	-	-	(158,903,802)	-	17,655,978
Mr Scott McPherson	176,559,780	-	-	(158,903,802)	-	17,655,978
Mr David Shein	40,833,334	-	-	(36,750,000)	-	4,083,334
Mr Don Francis Nanayakkara[2]	-	-	56,962,210	(51,265,948)	-	5,696,262
Mr Joseph Fridman	182,283,334	-	-	(163,955,000)	-	18,328,334
Mr Jonathan Pager	7,450,000	-	-	(6,705,000)	-	745,000
Mr Michael Pollak	19,800,000	-	-	(17,820,000)	-	1,980,000
Mr Matthew Goggin	88,279,890	-	-	(79,451,901)	-	8,827,989
Mr Mick Badran	70,833,334	-	-	(63,749,999)	-	7,083,335
Mr Chad Lurie	-	-	4,084,485	-	-	4,084,485
Mr Danny Loh	-	-	-	-	-	-

[1] A 10:1 Consolidation of shares occurred on the 31 May 2016.
[2] Shares issued as consideration as part of the acquisition of TETRAN group.

Personnel	Year ended 30 June 2015					
	Balance at the start of the year	Received as part of remuneration	Other changes[1]	Acquired	Disposal	Held at the end of reporting period
Ms Nicola Page	-	-	70,833,333	-	-	70,833,334
Mr Joe D'Addio	-	-	176,559,780	-	-	176,559,780
Mr Scott McPherson	-	-	176,559,780	-	-	176,559,780
Mr David Shein	-	-	-	40,833,334[2]	-	40,833,334
Mr Joseph Fridman	-	-	-	182,283,334[3]	-	182,283,334
Mr Jonathan Pager	-	-	-	7,450,000	-	7,450,000
Mr Michael Pollak	-	-	-	19,800,000	-	19,800,000
Mr Matthew Goggin	-	-	88,279,890	-	-	88,279,890
Mr Mick Badran	-	-	70,833,334	-	-	70,833,334

[1] Shares issued as consideration as part of the acquisitions of Technology Effect Pty Ltd and Breeze Training Pty Ltd, per the prospectus dated 17 April 2015.
[2] Includes 8,333,334 Shares issued for options exercised.
[3] Includes 38,333,334 Shares issued for options exercised.

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

Loans to KMP

No loans have been made to KMP during, or since, the year ended 30 June 2016 (2015:$Nil).

REMUNERATION REPORT (AUDITED) (CONT.)

Other transactions with KMP or their related parties

Related party transactions included:

- Amount payable in settlement of the transaction of TETRAN group of companies (entities related to Director Don Nanayakkara and KMP Chad Lurie) as at 30 June 2016 which is yet to be finalised.
- Advisory fee of $Nil (2015: $100,0000) to MPC Strategic Solutions Pty Ltd (an entity related to Monash Private Capital Pty Ltd and Director, Joseph Fridman);
- Receipt of $ Nil (2015: $90,000) in settlement of the transaction of Breeze Training Pty Ltd (an entity related to Director Nicki Page) to the Group; and
- Repayment of a $ Nil (2015: $500,000) syndicate loan (the Syndicate was headed by Pager Partners, an entity related to Jonathan Pager). The loan was settled with $111,929 in cash and $388,071 in equity.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

David Shein
Non-Executive Chairman
30 September 2016

STATEMENT OF CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, MOQ Limited and its Group have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's current Corporate Governance Statement for this reporting period is available on MOQ Limited 's website at www.moq.com.au/corporate-governance/

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Revenue			
Revenue	**6**	33,934,350	3,116,635
Other income	**6**	222,646	373,746
Total Revenue		**34,156,996**	**3,490,381**
Cost of sales	**7**	(27,971,377)	(2,444,678)
Gross Profit		6,185,619	1,045,703
Expenses			
Depreciation expenses	**7**	(110,009)	(9,048)
Employee costs	**7**	(4,414,010)	(823,290)
Legal costs	**7**	(33,978)	(233,843)
ASX and registry related expenses		(80,219)	(142,875)
Marketing expense		(308,205)	(68,492)
Occupancy expenses		(520,778)	(16,690)
Professional fees	**7**	(337,317)	(466,379)
Telecommunication carrier expenses		(141,439)	(22,182)
Other expenses		(902,417)	(264,180)
Total expenses		**(6,848,372)**	**(2,046,979)**
(Loss) before impairment		(662,753)	(1,001,276)
Impairment of Goodwill	**8**	-	(16,348,780)
Impairment of Intellectual Property	**8**	-	(63,636)
Impairment of Property, Plant and Equipment	**8**	-	(4,587)
(Loss) before income tax expense		**(662,753)**	**(17,418,279)**
Income tax credit	**9**	128,149	88,154
(Loss) after income tax		**(534,604)**	**(17,330,125)**
Other comprehensive (loss) for the year			
Exchange differences on translating foreign subsidiaries		(6,198)	-
Total comprehensive (loss) for the year		**(540,802)**	**(17,330,125)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
(Loss) is attributable to			
MOQ Limited		(540,802)	(17,330,125)
		(540,802)	(17,330,125)
Total comprehensive (loss) is attributable to			
MOQ Limited		(540,802)	(17,330,125)
		(540,802)	(17,330,125)
Earnings / (loss) per share attributable to equity holders of the parent entity			
Basic (loss) / earnings per share (cents per share)	**29**	(0.05)	(4.80)
Diluted (loss) / earnings per share (cents per share)	**29**	(0.05)	(4.80)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 $	2015 $
Current Assets			
Cash and cash equivalents	**10**	3,078,326	2,722,299
Trade and other receivables	**11**	6,298,691	3,026,309
Work In Progress	**12**	220,676	146,845
Other assets	**13**	273,602	177,757
		9,871,295	6,073,210
Non Current Assets			
Other Assets	**13**	187,540	-
Deferred tax assets	**14**	723,847	267,165
Property plant and equipment	**15**	452,350	94,451
Intangibles	**16**	14,455,829	-
		15,819,566	361,616
Total assets		**25,690,861**	**6,434,826**
Current Liabilities			
Trade and other payables	**17**	5,018,996	3,692,872
Deferred revenue	**18**	2,029,235	294,569
Provisions	**19**	1,352,621	722,574
		8,400,852	4,710,015
Non - Current Liabilities			
Deferred revenue	**18**	-	14,325
Provisions	**19**	48,049	-
Total Liabilities		8,448,901	4,724,340
Net Assets		**17,241,960**	**1,710,486**
Equity			
Issued capital	**20**	49,365,752	33,285,143
Shares to be issued		-	8,333
Reserves	**21**	2,467	8,665
Accumulated losses	**22**	(32,126,259)	(31,591,655)
Total Equity		**17,241,960**	**1,710,486**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital $	Shares to be Issued $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015	**33,285,143**	**8,333**	**8,665**	**(31,591,655)**	**1,710,486**
Net loss for the year	-	-	-	(534,604)	(534,604)
Other comprehensive loss	-	-	(6,198)	-	(6,198)
Total comprehensive loss for the year	-	-	(6,198)	**(534,604)**	**(540,802)**
Transactions with owners in their capacity as owners	-	-	-	-	-
Issue of share capital	14,013,133	-	-	-	14,013,133
Shares to be issued	2,500,000	(8,333)	-	-	2,491,667
Option Premium Reserve	-	-	-	-	-
Capital raising costs	(432,524)	-	-	-	(432,524)
Balance as at 30 June 2016	**49,365,752**	**-**	**2,467**	**(32,126,259)**	**17,241,960**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital $	Shares to be Issued $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2014	**13,636,115**	**-**	**6,790**	**(14,261,530)**	**(618,625)**
Net loss for the year	-	-	-	(17,330,125)	(17,330,125)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**(17,330,125)**	**(17,330,125)**
Transactions with owners in their capacity as owners					
Issue of share capital	19,782,456				19,782,456
Shares to be issued	-	8,333	-	-	8,333
Option Premium Reserve	-	-	1,875	-	1,875
Capital raising costs	(133,428)	-	-	-	(133,428)
Balance as at 30 June 2015	**33,285,143**	**8,333**	**8,665**	**(31,591,655)**	**1,710,486**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Cash flow from operating activities			
Receipts from customers		36,601,890	2,763,591
Payments to suppliers and employees		(38,186,980)	(4,207,981)
Interest received		7,055	27,543
Income taxes received		(52,676)	346,203
Net cash (used in) by operating activities	**31**	(1,630,711)	(1,070,644)
Cash flow from investing activities			
Payment for property plant and equipment		(345,261)	(19,134)
Payment for deposits		(176,093)	-
Cash on acquisition of controlled entities		925,816	-
Acquisition of subsidiaries	**32**	(6,990,000)	(2,342,874)
Net cash generated by / (used in) investing activities		(6,585,538)	(2,362,008)
Cash flow from financing activities			
Proceeds from issue of shares		8,575,000	5,411,925
Share issued costs		(2,724)	(93,040)
Loans to related parties		-	(111,929)
Proceeds from related parties		-	90,000
Net cash provided by financing activities		8,572,276	5,296,956
Net increase in cash and cash equivalents		356,027	1,864,304
Cash and cash equivalents at beginning of year		2,722,299	857,995
Cash and cash equivalents at end of year		3,078,326	2,722,299

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements cover MOQ Limited ("Company or "parent entity") and its controlled entity as a consolidated entity (also referred to as "the Group"). MOQ Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity and is primarily involved in the information technology industry being the field of software and services.

The separate financial statements of the parent entity, MOQ Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board of Directors on 29 September 2016.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law where possible.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS'). It is recommended that this financial report be read in conjunction with the public announcements made by MOQ Limited during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial report has been prepared on the historical cost basis.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group’s cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash –generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(d) Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(e) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (MOQ Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 34.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(f) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa;
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(g) Income tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax asset and tax liabilities are offset where the

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Tax Consolidation Legislation

The Company and its Australian wholly owned subsidiaries have formed an income tax consolidated group under the tax consolidation legislation for the whole of the financial year. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The Group notified the Australian tax Office it had formed an income tax consolidated group to apply from 1 June 2015. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) Plant and equipment

Each class of plant and equipment is carried at cost less any applicable accumulated depreciation and any accumulated impairment losses. Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

The depreciated amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use.

The expected useful life of plant and equipment ranges from 3 to 15 years.

The assets' residual values and useful life are reviewed at the balances date. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included net in profit or loss.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	Term of lease
Plant and Equipment	13.33 – 66.67%

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to accumulated losses.

(j) Leases

At inception of an arrangement, the Group determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Leases reclassified at their inception as either operating or finance leases based on the economic substance of the arrangement so as to reflect the risks and benefits incidental to ownership.

Lease of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases. Finance lease are capitalised by recording an asset and a liability equal to the fair value of the leased property or the present value of the minimum lease payments including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Statement of Profit or Loss and Other Comprehensive Income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are recognised as an expense in the year in which they are incurred. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(k) Financial instruments

The Group initially recognises financial assets on the trade date at which the Group becomes a party to a contractual provision of the instrument.

Financial assets are initially measured at cost. If the financial asset is not subsequently measured at fair value through profit or less, the initial measurement includes transaction costs that are directly attributed to the asset's acquisition. The Group subsequently measures financial assets at either amortised costs or fair value.

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- The asset is held with an objective to collect cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets other than those classified as financial assets measured at amortised costs are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payment and amortisation.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and financial liabilities are offset when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

(l) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition of the asset and that the loss event has a negative effect on the estimated future cash flows of that assets which can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

(m) Impairment of non-financial assets

Intangible assets are tested annually for impairment or more frequently if changes in circumstances indicate that they might be impaired.

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current marked assessment of the time value of money and the risks specific to the asset.

(n) Intangible assets

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Fair value is assessed based on the income streams generated from customer contracts after allowing for cost specific to the generation of those income streams. In the assessment of the carrying value of the intangible assets costs not related to the generation of the contract related income streams were excluded. These intangibles are separate from the business to which they relate and have been assessed on this basis. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which at present are 1.5 years.

Software acquired as part of a business combination is recognised separately from goodwill. The software is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which at present are 4 years.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax.
If the entity reacquires its own equity instruments, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs net of any taxes is recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(p) Foreign currency transactions and balances

The functional currency of each entity in the consolidated entity is measured using the currency of the primary economic environment in which that consolidated entity operates. The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated using the spot rate at the end of the financial year. Non monetary items measured at historical cost continue to be carried at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when the fair values were determined. Material exchange differences arising on the translation of monetary items are recognised in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge. Material exchange differences arising on the translation of non monetary items are recognised inequity to the extent that the gain or loss is directly recognised in equity otherwise the exchange is recognised in profit or loss.

(q) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, and annual leave, including non monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, on an undiscounted basis.

Liabilities for non accumulating sick leave are recognised when the leave is taken and measure at the rates paid or payable.

Long service leave

The liability for long service leave and annual leave which is not expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made for services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employments are terminated before the normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held on call with banks, other short term highly liquid investments with an original maturity date of three months or less held and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in Statement of Financial Position.

(t) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue for recurring services is recognised in equal amounts over the period for which service or support is to be provided to a customer, either quarterly or annually.

Revenue from technology sales in recognised upon delivery of the product to the customer.

Revenue from professional services is recognised in the accounting period in which the services are rendered. For time and materials contracts, revenue is recognised as the service is rendered.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Revenue from other services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

(w) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Refer to Note 1(l) for further discussion on determination of impairment losses.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(x) Work in progress

Work in progress is stated as the aggregate of costs incurred to date plus recognised profits less recognised losses and progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

Project profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected total costs. Where losses are anticipated they are provided for in full.

Project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract. Any credit balance in work in progress is reclassified as income in advance.

When the outcome of the project cannot be estimated reliably, revenue is only recognised to the extent that the costs incurred are recoverable.

(y) Trade and other payables

Trade and other payables represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest. These amounts are unsecured and are usually settled within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(z) Operating segments

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) to make financial and operational decisions and to allocate resources. We attribute sales to an operating segment based on the type of product or service provided to the customer.

We have identified three reportable segments, as follows:

- Technology Sales – provision of vendor hardware, software and associated licenses and maintenance contracts,
- Professional Services – provision of a range of specialist services including consulting, project management, systems and software engineering services to assist clients with strategy, architecture, design, development and implementation of ICT solutions.
- Recurring Services – a combination of managed services including operations, support and ICT management, as well as a range of in-house developed commercialised IP and Cloud (SAAS) based solutions.

The consolidated entity primarily services clients in one geographical segment being Australia, with support from Australia, Sri Lanka, Singapore and New Zealand. However, there are no material revenues generated outside of Australia, and as a result no additional geographical segment information has been provided.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(bb) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards
Applicable to annual reporting periods beginning on or after 1 January 2018.

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: *Revenue from Contracts with Customers*
Applicable to annual reporting periods commencing on or after 1 January 2017. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- (i) identify the contract(s) with a customer;
- (ii) identify the performance obligations in the contract(s);
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract(s); and
- (v) recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates

Impairment of Non-Current Assets
The Company assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Debtors (Bad Debt Provision)
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, historical collection rates and specific knowledge of the individual debtors' financial position.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Taxation
The Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and deferred tax liabilities are recognized in the Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses and temporary differences are recognized only where it is considered more likely than not that they will be recovered, which is dependent upon the generation of sufficient future taxable profits.

Assumptions about the generation of future profits depend upon management's estimates of future profitability and cash flows. These depend upon estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. Judgments and assumptions are also required in relation to the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty. Therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized in the Statement of Financial Position and the amount of tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amounts of recognized deferred tax assets and liabilities may require adjustment, resulting in a correction to the Statement of Comprehensive Income.

Recoverability of Work in Progress
The Company assesses work in progress on a monthly basis to determine whether the amounts accrued are recoverable to the Group when billed to customers. At the reporting date, the directors believe that the carrying value of work in progress is recoverable in full.

Valuation of Provisions
The Company has assessed the value of provisions at the reporting date in line with the accounting policy at Note 1(r).

NOTE 3: FINANCIAL RISK MANAGEMENT

Risk management is the role and responsibility of the board. The Group's current activities expose it to minimal risk. However, as activities increase there may be exposure to credit, liquidity, foreign currency and interest rate risks.

(a) Credit Risk

The Group has no significant concentrations of credit risk and as such, no sensitivity analysis is prepared by the Group. The ageing of the Group's trade and other receivables net of bad debt provisions at the reporting date is:

	2016	2015
	$	$
Current	5,044,156	2,426,994
30 - 60 days	580,481	225,451
60 - 90 days	324,828	7,574
More than 90 days	208,304	36,865
	6,157,769	2,696,884

The directors believe that the above stated balances are fully recoverable.

(b) Liquidity

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Group does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation, St George and HSBC which is available as required.

The material liquidity risk for the Group is the ability to raise equity or access debt finance as required in the future.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT.)

(c) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is:

	1 year or less			Over 1 to 5 years	
	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Non Interest Bearing	Total
30 June 2016	$	$	$	$	$
Financial assets					
Cash and deposits	1,102,024	-	1,976,302	-	3,078,326
Current receivables	-	-	6,298,691	-	6,298,691
Other assets	-	-	273,602	-	273,602
	1,102,024	-	8,548,595	-	9,650,619
Weighted average interest rate	0.75%				
Financial liabilities					
Trade and other payables	-	-	(5,018,996)	-	(5,018,996)
Borrowings	-	-	-	-	-
	-	-	(5,018,996)	-	(5,018,996)
Weighted average interest rate	Nil				
Net financial assets / (liabilities)	1,102,024	-	3,529,599	-	4,631,623

The directors do not consider the results of the Group to be subject to significant sensitivity arising from interest rate risks.

	1 year or less			Over 1 to 5 years	
	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Non Interest Bearing	Total
30 June 2015	$	$	$	$	$
Financial assets					
Cash and deposits	2,632,960	89,339	-	-	2,722,299
Current receivables	-	-	2,810,250	-	2,810,250
	2,632,960	89,339	2,810,250	-	5,532,549
Weighted average interest rate	0.1%				
Financial liabilities					
Trade and other payables	-	-	(3,692,872)	-	(3,692,872)
	-	-	(3,692,872)	-	(3,692,872)
Weighted average interest rate	Nil				
Net financial assets / (liabilities)	2,632,960	89,339	(882,622)	-	1,839,677

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT.)

(d) Foreign currency risk

The Group has subsidiaries in Sri Lanka, Singapore and New Zealand, which serves primarily as service and support centres. As all intercompany loans are repayable in AUD$, the group is not materially exposed to foreign currency risk.

(e) Fair value hierarchy

The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables because their carrying amounts are a reasonable approximation of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 4: SEGMENT INFORMATION

The segment information provided to the Board of directors, for the reportable segments is as follows:

30 June 2016	**Recurring Services**	**Professional Services**	**Technology Sales**	**Unallocated**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external customers	**4,827,672**	**10,741,641**	**18,365,037**	**-**	**33,934,350**
Other income	-	-	-	222,646	222,646
Total Reportable Segment results	**1,778,251**	**963,751**	**3,220,971**	**(6,625,726)**	**(662,753)**
Total segment assets	-	-	-	25,690,861	25,690,861
Total segment liabilities	-	-	-	8,448,901	8,448,901

30 June 2015	**Recurring Services**	**Professional Services**	**Technology Sales**	**Unallocated**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external customers	**236,777**	**940,877**	**1,928,516**	**10,465**	**3,116,635**
Other income	-	-	-	373,746	373,746
Total Reportable Segment results	**76,269**	**221,407**	**363,816**	**(18,079,771)**	**(17,418,279)**
Total segment assets	279,017	1,298,215	1,176,428	3,681,166	6,434,826
Total segment liabilities	26,450	429,143	2,317,519	1,951,228	4,724,340

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 5: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, MOQ Limited:

(a) Summarised statement of financial position

	2016 $	2015 $
Assets		
Current assets	3,408,248	1,099,285
Non current assets	15,007,478	930,197
Total assets	18,415,726	2,029,482
Liabilities		
Current liabilities	(1,113,951)	(550,695)
Non current liabilities	-	-
Total liabilities	(1,113,951)	(550,695)
Net assets	17,301,775	1,478,787
Equity		
Share Capital	49,365,752	33,293,476
Reserves	8,665	8,665
Accumulated losses	(32,072,642)	(31,823,354)
Total equity	17,301,775	1,478,787

(b) Summarised statement of comprehensive income

	2016	2015
Loss for the year	(249,288)	(17,561,825)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(249,288)	(17,561,825)

(c) Guarantees entered into by the parent

The parent has not entered into any guarantees.

(d) Contingent liabilities of the parent

The parent does not have any contingent liabilities.

(e) Commitments of the parent

The parent does not have any commitments.

NOTE 6: REVENUE AND OTHER INCOME

	2016 $	2015 $
(a) Revenue from operations	33,934,350	3,116,635
(b) Other income		
Interest received	7,055	27,543
Other income	215,591	346,203
	222,646	373,746
Total revenue and other income	34,156,996	3,490,381

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 7: OPERATING LOSS

Loss before income tax includes the following expenses:

	2016 $	2015 $
(a) Cost of sales		
Technology	15,144,066	1,564,700
Recurring services	3,049,421	160,508
Professional services	9,777,890	719,470
	27,971,377	2,444,678
(b) Depreciation – office equipment and software	110,009	9,048
(c) Employee benefits, other labour and related expenses		
Wages and salaries	2,869,523	707,937
Superannuation	283,170	36,611
Other employee benefits expenses	1,261,317	78,742
	4,414,010	823,290
(d) Legal costs^	33,978	233,843
(e) Professional fees		
Consultants fees*	107,033	157,787
Compliance fees*	230,284	183,105
Other fees*	-	125,487
	337,317	466,379

*Largely relates to the acquisition of TETRAN and Skoolbag in the current year and Tech Effect and Breeze in the prior year.
^ Expenses in FY15 largely relating to the acquisition of Tech Effect and Breeze.

NOTE 8: IMPAIRMENT

	2016 $	2015 $
Impairment of Goodwill	-	16,348,780
Impairment of Intellectual Property	-	63,636
Impairment of Property, Plant and Equipment	-	4,587
Total Impairment*	-	16,417,003

* The acquisition of Tech Effect and Breeze were funded by a combination of cash payment and shares issued in the Company. Goodwill was recognised on acquisition, being the excess of the cost of acquisition over the net assets acquired. The Board took a conservative view and decided to impair goodwill in full at the financial year ended 30 June 2015. As such the 30 June 2015 consolidated financial year loss included impairment of goodwill, intellectual property and plant and equipment totalling $16,417,003.

NOTE 9: INCOME TAX

	2016 $	2015 $
(a) The components of tax income / (expense) comprise:		
Current tax	(216,562)	(179,011)
Deferred tax	344,711	267,165
	128,149	88,154

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 9: INCOME TAX (CONT.)

	2016 $	2015 $
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Loss before income tax expense	(662,753)	(17,418,279)
Income tax calculated at 30% (2015: 30%)	198,826	(17,418,279)
Tax effect of amounts which are not taxable income	(70,677)	5,235,466
Tax loss not recognised	-	78,172
Income tax benefit	128,149	88,154
The applicable weighted average effective tax rates are as follows:	(19.3%)	(0.5%)

(c) Tax effects relating to other comprehensive income
There is no tax effect relating to components of other comprehensive income.

(d) Tax losses

Approximate unused tax losses for which no deferred tax asset has been recognised	-	260,573
Potential tax benefit at 30% (2015: 30%)	-	78,172

Tax losses related to the entity prior to the reconstruction that were not used have been lost in accordance with the continuity of business rules under the Australian Taxation legislation.

NOTE 10: CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank	3,078,326	2,632,960
Term deposit	-	89,339
	3,078,326	2,722,299

NOTE 11: TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Trade receivables	5,701,823	2,606,815
Provision for doubtful debts	(206,112)	(3,200)
Other receivables	662,058	93,269
	6,157,769	2,696,884
Current tax receivable	-	113,366
Accrued revenue	140,922	216,059
	140,922	329,425
	6,298,691	3,026,309

Management believes that any debts that have not provided for and are past due by more than 30 days are still collectible in full based on historic payment behaviour.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 12: WORK IN PROGRESS

	2016 $	2015 $
Work In Progress	220,676	146,845
	220,676	146,845

NOTE 13: OTHER ASSETS

(a) OTHER ASSETS - CURRENT

	2016 $	2015 $
Deposits	2,289	13,736
Inventory	19,420	-
Prepayments	251,452	164,021
Other	441	-
	273,602	177,757

(b) OTHER ASSETS – NON-CURRENT

Deposits	187,540	-
	187,540	-

NOTE 14: DEFERRED TAX ASSETS

	2016 $	2015 $
Deferred Tax Assets (refer Note 9)	723,847	267,165
	723,847	267,165

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

At 30 June 2016	Leasehold Improvements $	Office Equipment & Software $	Total $
Cost	299,619	734,769	1,034,388
Accumulated depreciation	(54,893)	(527,145)	(582,038)
Accumulated impairment	-	-	-
	244,726	207,624	452,350

At 30 June 2015	Leasehold Improvements $	Office Equipment & Software $	Total $
Cost	-	184,825	184,825
Accumulated depreciation	-	(85,787)	(85,787)
Accumulated impairment	-	(4,587)	(4,587)
	-	94,451	94,451

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONT.)

Reconciliation of carrying amounts at the beginning and end of the year:

	Leasehold Improvements $	Plant and Equipment $	Total $
At 1 July 2015	-	94,451	94,451
Additions [1]	299,619	168,289	467,908
Disposals	-	-	-
Depreciation	(54,893)	(55,116)	(110,009)
Impairment due to Administration	-	-	-
At 30 June 2016	244,726	207,624	452,350

[1] Acquired as part of the acquisition of TETRAN group.

	Leasehold Improvements $	Plant and Equipment $	Total $
At 1 July 2014	-	4,587	4,587
Additions [1]	-	143,333	143,333
Disposals	-	(39,834)	(39,834)
Depreciation	-	(9,048)	(9,048)
Impairment due to Administration	-	(4,587)	(4,587)
At 30 June 2015	-	94,451	94,451

[1] Acquired as part of the acquisition of Tech Effect and Breeze.

NOTE 16: INTANGIBLE ASSETS

	2016 $	2015 $
Maintenance Contracts and software at cost	-	63,636
Accumulated impairment	-	(63,636)
Goodwill on acquisition of TETRAN Group (refer Note 32)	9,339,308	-
Goodwill on acquisition of Skoolbag (refer Note 32)	4,650,428	-
Intangible Property Acquired TETRAN Group (refer Note 32)	223,821	-
Intangible Property Acquired Skoolbag (refer Note 32)	242,272	-
	14,455,829	-

Impairment Testing:

Goodwill arising from a business combination is allocated to CGUs (cash generating units) or groups that are expected to benefit from the synergies of the combination. Accordingly, TETRAN's CGU includes certain MOQdigital income. For the purposes of impairment testing, goodwill has been allocated to MOQ's CGUs as follows:

	2016 $
TETRAN	9,339,308
Skoolbag	4,650,428

The recoverable amounts were based on fair values estimated using discounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 16: INTANGIBLE ASSETS (CONT.)

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represents management's assessment of future trends in the ICT industry and have been based on data from both external and internal sources.

TETRAN	**2016**
Discount rate	15%
Terminal Value Growth Rate	1%

Skoolbag	**2016**
Discount rate	15%
Terminal Value Growth Rate	1%

The discount rate was a post-tax measure estimated based on a conservative mix of historical weighted average cost of capital and debt.

The cashflow projections included specific estimates for 1 year for TETRAN and 2 years for Skoolbag. The basis of estimation of the one and two-year cash flows uses the following key operating assumptions:

One and two year budgeted EBITDA is based on management's forecasts of revenue from its operating segments. Revenue forecasts take into account historical revenue and consider external factors such as market sector.

Costs are calculated taking into account historical margins, known increases and estimated inflation rates over the period.

The estimated recoverable amount of the CGUs exceeded their carrying amounts by $9.99 million for TETRAN and $1.77 million for Skoolbag. Management recognises that actual results (EBITDA) may vary to what has been estimated. Management has identified that a possible change in either of two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	TETRAN 2016	Skoolbag 2016
Discount Rate	19%	8%
Budgeted EBITDA growth rate	77%	57%

NOTE 17: TRADE AND OTHER PAYABLES

	2016 **$**	**2015** **$**
Trade creditors	2,716,459	2,494,566
Other payables and accrued expenses*	2,302,537	1,198,306
	5,018,996	3,692,872

There are no trade and other payables that are considered past due.

*There is an amount owing in relation to TETRAN working capital estimated to be $920,000 which is yet to be finalised.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 18: DEFERRED REVENUE

	2016 $	2015 $
CURRENT		
Unearned income – subscription, consulting and licenses	2,029,235	294,569
	2,029,235	294,569
NON-CURRENT		
Unearned income – consulting and licenses	-	14,325
	-	14,325

NOTE 19: PROVISIONS

	2016 $	2015 $
CURRENT		
Employee entitlements		
- Provision for Annual Leave	814,573	497,602
- Provision for Long Service Leave	538,048	224,972
	1,352,621	722,574
NON-CURRENT		
Employee entitlements		
- Provision for Long Service Leave	48,049	-
	48,049	-

The Company changed its method of providing for long service leave in 2016 resulting in an increase in the provision.

Employee provisions includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 20: SHARE CAPITAL

(a) Details of share issues

For the 2016 financial year:

Date	Details	Share Price $	No. of Shares	Issue Value $
	Balance at the beginning of the year		**1,073,671,213**	**33,285,143**
Jul-15	Securities issued for exercise of options	0.01	833,333	8,333
Sep-15	Securities issued for exercise of options	0.01	2,499,999	25,000
Apr-16	Capital raising pursuant to the offer under the prospectus dated 24 March 2016	0.0275	161,454,545	4,440,000
May-16	Capital raising pursuant to the offer under the prospectus dated 24 March 2016	0.0275	165,818,182	4,560,000
May-16	Consideration shares for TETRAN group of companies	0.035	142,857,144	5,000,000
May-16	Consolidation of shares on a 10:1 basis	-	(1,392,420,858)	-
Jun-16	Performance shares accrued Skoolbag*	0.04	-	1,500,000
Jun-16	Performance shares accrued TETRAN*	0.035	-	1,000,000
	Capital raising costs			(452,724)
	Total share capital		**154,713,558**	**49,365,752**

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

*Please refer to Notes 32 and 33 for additional information on the Performance shares for TETRAN and Skoolbag.

Comparative information for share issues occurring in the 2015 financial year:

Date	Details	Share Price $	No. of Shares	Issue Value $
	Balance at the beginning of the year		**15,409,857**	**13,636,115**
Jul-14	Securities offered pursuant to the First Placement	0.0025	150,000,000	375,000
Jul-14	Securities offered pursuant to the Second Placement	0.0100	150,000,000	1,500,000
May-15	Capital raising pursuant to the offer under the prospectus dated 17 April 2015	0.0350	114,285,714	4,000,000
May-15	Capital raising pursuant to the offer under the prospectus dated 17 April 2015	0.0250	12,000,000	300,000
May-15	Conversion offered to Savvy By Nature Pty Ltd	0.0280	2,242,857	62,800
May-15	Consideration shares for Technology Effect Pty Ltd	0.0200	441,399,450	8,827,989
May-15	Consideration shares for Breeze Training Pty Ltd	0.0300	141,666,667	4,250,000
Jun-15	Exercise of options	0.0100	46,666,668	466,667
	Capital raising costs			(133,428)
	Total share capital		**1,073,671,213**	**33,285,143**

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 20: SHARE CAPITAL (CONT.)

(b) Options

ASX Code	Balance at 30/06/2015	Balance at 30/06/2016	Exercise price	Expiry
MOQOPT8	28,333,333[1*]	2,500,000	$0.10	30/06/2017
MOQOPT6	166,667[*]	16,667	$7.00	12/02/2017
MOQOPT7	166,667[*]	16,667	$7.00	12/02/2018

A summary of the movements of all company options issues is as follows:

	No. of Options	Weighted Average Exercise Price
Options outstanding at 30 June 2015	**28,833,333**	**$0.01**
Granted	-	-
Forfeited	-	-
Exercised	(3,333,332)	$0.01
Consolidation of options on 10:1 basis	(22,800,000)	
Expired	(166,667)	$0.70
Options outstanding at 30 June 2016	**2,533,334**	**$0.01**
Options exercisable as at 30 June 2016	2,533,334	$0.19

	No. of Options	Weighted Average Exercise Price
Options outstanding at 30 June 2014	500,001	$0.70
Granted	75,000,000	$0.01
Forfeited	-	-
Exercised	(46,666,668)	$0.01
Expired	-	-
Options outstanding at 30 June 2015	**28,833,333**	**$0.01**
Options exercisable as at 30 June 2015	28,833,333	$0.01

(d) Capital management

Management controls the capital of the Group in order to generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

[*] Number of options prior to consolidation of shares on a 10:1 basis that occurred on 30th May 2016

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 20: SHARE CAPITAL (CONT.)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 21: RESERVES

	2016 $	2015 $
Reserves at the beginning of financial year	8,665	6,790
Option Premium Reserve	-	1,875
Foreign Exchange Translation Reserve	(6,198)	-
Reserves at end of financial year	2,467	8,665

NOTE 22: ACCUMULATED LOSSES

	2016 $	2015 $
Accumulated losses at beginning of financial year	(31,591,655)	(14,261,530)
Net (loss) for the year after income tax	(534,604)	(17,330,125)
Accumulated losses at end of financial year	(32,126,259)	(31,591,655)

NOTE 23: FRANKING CREDITS

	2016 $	2015 $
Franking credits available for subsequent financial years based on a tax rate of 30%	699,679	232,509

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURE

	2016 $	2015 $
Compensation received by key management personnel of the consolidated entity:		
Short term employee benefits	1,357,851	203,129
Bonus payments	-	56,831
Other short term employee benefits	-	152,158
Post employment benefits	117,595	22,326
Termination benefits	-	-
	1,475,446	434,444

Short-term employee benefits
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits
These amounts are the current-year's estimated cost of providing for the Group's superannuation contributions made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

24: KEY MANAGEMENT PERSONNEL DISCLOSURE (CONT.)

Other long-term benefits
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTE 25: RELATED PARTY TRANSACTIONS

(a) The Group's main related parties are as follows:

(i) Key management personnel:
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 24.

(ii) Other related parties:
Other related parties include entities over which key management personnel have joint control.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2016 $	2015 $
Advisory fee to MPC Strategic Solutions Pty Ltd (an entity related to Monash Private Capital Pty Ltd and Director, Joseph Fridman)	-	(100,000)
Receipt of $90,000 in settlement of the transaction of Breeze Training Pty Ltd (an entity related to Director Nicki Page) to the Group	-	90,000
Repayment of a $500,000 syndicate loan (the Syndicate was headed by Pager Partners, an entity related to Jonathan Pager). The loan was settled with $111,929 in cash and $388,071 in equity	-	(500,000)

(c) Loans to/from related parties:

There are no amounts outstanding or payable to related parties as at 30 June 2016 (2015: $Nil).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 26: AUDITOR'S REMUNERATION

	2016 $	2015 $
Amounts paid / payable to Stantons International for audit and review work under-taken under the *Corporation Act 2001*		
Auditing or reviewing the financial report	64,064	60,896
Investigating Accountants report	-	12,485
Completion accounts audit	10,000	-
	74,064	73,381

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The company notes that there may be a contingent liability in respect of working capital adjustment in relation to the TETRAN acquisition, as adjustment is subject to finalisation with vendors and may vary.

The company also notes that there may be a contingent liability in respect of the issue of shares related to performance hurdles in Skoolbag, subject to performance exceeding expectations.

NOTE 28: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

	2016	2015
Payable - minimum lease payments	$	$
- not later than 1 year	436,374	317,900
- later than 1 year and not later than 5 years	959,010	978,775
- later than 5 years	-	20,825
	1,395,384	1,317,500

NOTE 29: LOSS PER SHARE

	2016 $	2015 $
(a) Basic (loss) per share (cents per share)		
From continuing operations	(0.05)	(4.8)
(b) Diluted (loss) per share (cents per share)		
From continuing operations	(0.05)	(4.8)
(c) Reconciliation of (loss) in calculating earnings per share		
Basic and diluted (loss) / profit per share		
Loss from continuing operations attributable to ordinary equity holders	(540,802)	(17,330,125)
(d) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings / (loss) per share	1,030,297,149	363,207,397
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings / (loss) per share	1,030,297,149	363,207,397

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 30: DISCONTINUED OPERATIONS

There were no discontinued operations in 2016 or 2015.

NOTE 31: CASH FLOW INFORMATION

Reconciliation of net cash provided by operating activities to net (loss) / profit after tax	**2016** **$**	**2015** **$**
(Loss) / profit for the period after tax	(534,604)	(17,330,125)
Add back: Income tax credit	(128,149)	(88,154)
(Loss) / profit for the period before tax	(662,753)	(17,418,279)
Non cashflows and non-operating cashflows in profit / (loss):		
Depreciation	110,009	9,048
Impairment losses – Goodwill	-	16,348,780
Impairment losses – Property Plant Equipment	-	4,587
Impairment losses – Intellectual Property	-	63,636
(Gains) / Losses on disposal of fixed assets	-	58,689
Assets acquired	(345,261)	(143,333)
Other items	-	198,761
Change in assets and liabilities:		
Decrease / (Increase) in trade debtors	(779,977)	(196,884)
Decrease / (Increase) in work in progress	(73,831)	(146,845)
Decrease / (Increase) in current tax receivable	113,366	(69,154)
Decrease / (Increase) in other current assets	304,314	(177,757)
Decrease / (Increase) in deferred tax assets	(344,711)	(24,116)
Increase / (Decrease) in payables	(461,561)	(609,245)
Increase / (Decrease) in loans	-	-
Increase / (Decrease) in other liabilities	-	-
Increase / (Decrease) in unearned revenue	26,872	308,894
Increase / (Decrease) Short term borrowings	-	-
Increase / (Decrease) in provision for employee entitlements	482,822	722,574
Cash flow from operations	(1,630,711)	(1,070,644)

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 32: ACQUISITION OF TETRAN GROUP AND SKOOLBAG

On 3 March 2016, the Company announced that it had signed separate binding heads of agreement were signed to acquire 100% of the issued capital of two businesses, Skoolbag ("iimage Technical Services Pty Ltd") and TETRAN group of companies.

On 12 April 2016 and 23 May 2016, the Board of the Company advised that it had acquired 100% of the shares of Skoolbag and TETRAN following completion of the capital raising and satisfaction/waiver of all condition precedents.

Details of the business combination are as follows:

	TETRAN	Skoolbag
Fair value of consideration for businesses acquired	**$**	**$**
Amount settled in cash and shares	**10,900,000**	**3,987,869**
Recognised amounts of identifiable net assets		
Cash and cash equivalents	913,322	12,494
Trade and other receivables	1,690,989	206,141
Deferred tax assets	78,633	33,337
Total current assets	**2,682,944**	**251,972**
Property, plant and equipment	122,334	-
Intangible Assets	223,821	242,272
Total non-current assets	**346,155**	**242,272**
Trade and other payables	(1,468,407)	(1,156,803)
Total current liabilities	**(1,468,407)**	**(1,156,803)**
Identifiable net assets	**1,560,692**	**(662,559)**
Goodwill on acquisition	**9,339,308**	**4,650,428**
Consideration transferred settled in cash	(3,990,000)	(3,000,000)
Cash and cash equivalents acquired	913,322	12,494
Stamp duty on acquisition	(50,881)	(18,241)
Net cash paid relating to the acquisition	**(3,127,559)**	**(3,005,747)**

Acquisition costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

In relation to the acquisition of TETRAN, there is a maximum of 2,857,143 shares valued at $1,000,000 (based on a deemed issue price of $0.35 per share) to be issued conditional upon TETRAN achieving certain EBITDA targets in FY16.

In relation to the acquisition of Skoolbag, there is a maximum of 7,500,000 shares valued at $3,000,000 (based on a deemed issue price of $0.40 per share) available for issue conditional upon Skoolbag achieving certain performance targets in FY16 and FY17. Based on information presently available, MOQ management's current best estimate is that performance targets in relation to 3,750,000 shares valued at $1,500,000 (based on a deemed issue price of $0.40 per share) will be achieved.

Set out below is the contribution for each subsidiary to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

	TETRAN $	Skoolbag $
Financial period	23/05/2016 to 30/6/2016	12/04/2016 to 30/6/2016
Summarised Financial Performance		
Revenue	991,617	371,708
(Loss)/Profit before tax	129,177	(87,059)
(Loss)/profit after tax	117,400	(54,134)
Other comprehensive income after tax	-	-
Total comprehensive (loss)/income	117,400	(54,134)
Profit/(loss) attributable to non-controlling interests	-	-

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 33: SHARE BASED PAYMENTS

On 23 May 2016, the Company issued 142,857,143 shares at $0.0035 per share totalling $5,000,000 as part consideration to acquire TETRAN group of companies (refer note 34).

In relation to the acquisition of TETRAN, there is a maximum of 2,857,143 shares valued at $1,000,000 (based on a deemed issue price of $0.35 per share) to be issued conditional upon TETRAN achieving certain EBITDA targets in FY16.

In relation to the acquisition of Skoolbag, there is a maximum of 7,500,000 shares valued at $3,000,000 (based on a deemed issue price of $0.40 per share) available for issue conditional upon Skoolbag achieving certain performance targets in FY16 and FY17. Based on information presently available, MOQ management's current best estimate is that performance targets in relation to 3,750,000 shares valued at $1,500,000 (based on a deemed issue price of $0.40 per share) will be achieved.

NOTE 34: CONTROLLED ENTITIES

			Equity holding	
Name of entity	**Country of Incorporation**	**Class of Shares**	**2016**	**2015**
iimage Technical Services Pty Ltd	Australia	Ordinary	100%	-
TETRAN Pty Ltd	Australia	Ordinary	100%	-
TETRAN NZ Limited	New Zealand	Ordinary	100%	-
TETRAN (Singapore) Pte Limited	Singapore	Ordinary	100%	-
T.I.M. Asia Pacific (PVT) Limited	Sri Lanka	Ordinary	100%	-
MOQdigital Pty Ltd	Australia	Ordinary	100%	100%
Breeze Training Pty Ltd	Australia	Ordinary	100%	100%
Pinnacle Software (Australia) Pty Ltd	Australia	Ordinary	100%	100%
OneBet IP Pty Ltd	Australia	Ordinary	100%	100%
OneBet Trading Pty Ltd	Australia	Ordinary	100%	100%

NOTE 35: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 September 2016, an Employee Option Plan was introduced, which provided certain key management and employees with 3,690,901 unlisted and unvested options. These options have been issued in two separate tranches. Tranche 1 consists of 1,845,456 options, exercisable at $0.275 each, and vests after 24 months' continuous service from date of issue. Tranche 2 consists of 1,845,445 options, exercisable at $0.275 each, and vests after 36 months' continuous service from date of issue. Both tranches expire on 1 September 2020.

END OF AUDITED STATEMENTS

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MOQ Limited (the "Company"), the directors of the company declare that:

1. In the opinion of the directors of the Company, the financial statements and notes, as set out on pages 19 to 54 are in accordance with the *Corporations Act 2001* and

    i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    ii. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

3. the audited remuneration disclosures set out on pages 12 to 17 of the directors' report comply with accounting standard AASB 124 *Related Party Disclosures* and the Corporation Regulations 2001; and

4. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer.

On behalf of the Directors

David Shein
Non Executive Chairman
30 September 2016

Stantons International Audit and Consulting Pty Ltd
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30 September 2016

Board of Directors
MOQ Limited
5a, 2 New McLean Street
Edgecliff, NSW 2027

Dear Sirs

RE: MOQ LIMITED (FORMERLY MONTECH HOLDINGS LIMITED)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MOQ Limited (formerly Montech Holdings Limited).

As Audit Director for the audit of the financial statements of MOQ Limited (formerly Montech Holdings Limited) for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MOQ LIMITED (FORMERLY MONTECH HOLDINGS LIMITED)

Report on the Financial Report

We have audited the accompanying financial report of MOQ Limited (formerly Montech Holdings Limited), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of MOQ Limited (formerly Montech Holdings Limited) is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 17 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of MOQ Limited (formerly Montech Holdings Limited) for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
30 September 2016

The following information is current as at 21 September 2016.

ORDINARY SHARES

154,713,558 fully paid ordinary shares held by 744 individual shareholders. All ordinary shares carry one vote per share.

UNQUOTED OPTIONS

The Company has on issue:

- 33,334 options exercisable at 70 cents expiring at various dates from 12 February 2017 across 1 holder.
- 2,500,000 options exercisable at 10 cents expiring on 30 June 2017 across 5 holders.

Options do not carry any votes

DISTRIBUTION OF HOLDERS FULLY PAID ORDINARY SHARES

Category	Number of holders	Number held	% of issued shares
100,001 and Over	87	143,079,349	92.48
10,001 to 100,000	273	10,956,383	7.08
5,001 to 10,000	57	469,372	0.30
1,001 to 5,000	63	177,069	0.12
1 to 1,000	264	31,385	0.02
Total	**744**	**154,713,558**	**100.00**

The number of holders who held less than a marketable parcel of shares was nil.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Holder	No. of ordinary shares	% ordinary shares
MONASH PRIVATE CAPITAL PTY LTD	18,228,334	11.78
KATHY LOUISE EDWARDS	17,655,978	11.41
MR SCOTT MCPHERSON	17,655,978	11.41
NICOLA JANINE PAGE, MICHAEL ALEXANDER BADRAN & ASSOCIATED ENTITY (OSKA INDIA PTY LTD)	14,166,670	9.16
MATTHEW CHARLES GOGGIN & ROMILY JANE GOGGIN	8,827,989	5.71

TOP 20 HOLDERS OF EQUITY SECURITIES

	Holder	**Shares**	**%**
1	MONASH PRIVATE CAPITAL PTY LTD	18,228,334	11.78
2	KATHY LOUISE EDWARDS	17,655,978	11.41
2	MR SCOTT MCPHERSON	17,655,978	11.41
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,862,452	10.25
4	MATTHEW CHARLES GOGGIN & ROMILY JANE GOGGIN	8,827,989	5.71
5	ANACACIA PTY LIMITED	7,272,728	4.70
6	DON FRANCIS NANAYAKKARA	5,696,262	3.68
7	NICOLA JANINE PAGE	5,520,835	3.57
8	MICHAEL ALEXANDER BADRAN	5,520,835	3.57
9	CITICORP NOMINEES PTY LIMITED	4,610,331	2.98
10	KOMATIE PTY LTD	3,539,028	2.29
11	OSKA INDIA PTY LTD	3,125,000	2.02
12	DAVCOL NOMINEES PTY LTD	2,500,001	1.62
13	INFLECTION INVESTMENTS PTY LTD	2,074,320	1.34
13	UNITED EQUITY PARTNERS PTY LTD	1,980,000	1.28
14	HOLLOWAY COVE PTY LTD	1,800,000	1.16
15	JARREN INVESTMENTS PTY LTD	1,583,334	1.02
16	MR MARLON LUKE DE CRUZ DE CRUZ	1,197,679	0.77
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,062,912	0.69
18	MR KAI MYSLIWIECZ	609,625	0.39
19	MYALDALI PTY LTD	601,194	0.39
20	MERUMA PTY LTD	570,000	0.37
	Top 20	**127,494,815**	**82.41**
	All shareholders	**154,713,558**	**100.00**